



2009
2010

annual report

providing road passenger
transport services in Tasmania

Metro

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Nature of Business

Provision of bus transport services

Issued Capital

Two shares of \$1.00 each

Registered Office

212-220 Main Road
Moonah, TAS, 7009

ABN Number

30 081 467 281

Directors

Ron Ward, Chairperson

Michael Wisby, Deputy Chairperson

Tracy Matthews

Lynn Mason

Geoffrey Hazell

Ian Newman

Shareholders

Minister for Sustainable Transport
and Alternative Energy
Treasurer

Senior Managers

Heather Haselgrove, Chief Executive Officer

Anita Robertson, Chief Financial Officer
and Company Secretary

Alan Pedley, General Manager Operations

Ian Ward, General Manager Infrastructure
and Engineering

Anthony James, General Manager Business
Development and Planning

Craig Anderson, Manager Human Resources

Bankers

Commonwealth Bank of Australia
81 Elizabeth Street, Hobart, TAS, 7000

Auditor

Auditor-General

Tasmanian Audit Office
Level 4/15 Murray Street
Hobart, TAS, 7000



COMPANY OVERVIEW

Metro Tasmania Pty Ltd (Metro) is a state-owned company established in February 1998.

It is Tasmania's largest passenger transport service provider, operating a fleet of 218 buses in and around Hobart, Launceston and Burnie.

Metro services are delivered under service contracts with the State Government's Transport Commission that sits within the Department of Infrastructure, Energy and Resources.

Operating under Corporations Law, an independent Board of six Directors provides the organisation with strategic direction and governance.

Metro's shareholder ministers, representing the people of Tasmania, are Minister for Sustainable Transport and Alternative Energy Hon Nick McKim and Treasurer Hon Michael Aird.

Metro's corporate plan, developed in consultation with the company's employees, has set the vision, business purpose, goals and values to take the company forward.

Our Vision

To transform Tasmania's passenger transport to be a travel option of choice.

Our Business Purpose

To deliver urban mass transit passenger transport services.

Our Goals

- Goal #1** Lead the repositioning of passenger transport within Tasmania with key stakeholders.
- Goal #2** Put the customer at the centre of our business.
- Goal #3** Develop a skilled, engaged and healthy workforce.
- Goal #4** Grow the market by partnering with industry.
- Goal #5** Build a sustainable and progressive business.

Our Values

Safety conscious

Safety is everybody's responsibility. It is at the forefront of all of Metro's actions.

Respectful

Respect for the customer, staff and stakeholders, investing in individual and community growth and development.

Collaborative

Working in an approachable, communicative, responsive, transparent and consultative manner in everything we do.

Courageous

The courage to act to achieve Metro's vision and business purpose, even in the face of challenge or adversity.



CHAIRPERSON'S REVIEW

Overall patronage increased by 0.9 per cent in 2009/10 compared to the previous financial year.

While this may be seen as a relatively small increase, to put it into context, it is the second year in succession that Metro has achieved patronage growth.

Metro achieved an operating profit of \$56,000 and \$189,000 after tax. During the year Metro received an additional \$3.25 million from DIER to improve its passenger bus services and to assist with Metro's long-term capital replacement program. This funding has been set aside for ongoing capital expenditure projects and other passenger growth initiatives that will be rolled out in 2010/11. Without the receipt of this additional funding Metro would have reported an operating loss for the year largely as a result of increased depreciation after significant capital expenditure in the last few years and a decline in interest revenue as a result of utilising cash reserves for this capital expenditure.

Looking to the future the Board has signed off on a three-year corporate plan (which included input provided

by Metro employees) that outlines a vision for the organisation to transform Tasmania's passenger transport to be a travel option of choice, an overall business purpose to deliver urban mass passenger transport services and sets the business goals and values.

The plan is obviously an important document for the organisation, providing the blueprint for CEO Heather Haselgrove and her senior management team to continue to increase patronage and to take Metro forward. It is about changing the culture to the extent needed to bring the organisation to best-practice standard.

Ms Haselgrove joined Metro as CEO on 1 July 2009, relocating to Tasmania from South Australia where she worked in a variety of senior roles in the Department for Transport, Energy and Infrastructure. At the time of her appointment our then Minister and the Acting Chair said they were confident her passenger transport experience would be extremely beneficial for Metro. I am pleased to report that

this has absolutely been the case. In just twelve months Heather has introduced many initiatives and changes at Metro that have made a positive difference to the way the organisation operates.

In addition to Heather's appointment there have been some other important senior appointments, namely Alan Pedley to the position of General Manager Operations, Anthony James to General Manager Business Development and Planning and Craig Anderson as Manager Human Resources. They join Ian Ward, General Manager Infrastructure and Engineering, and Anita Robertson, Chief Financial Officer, on Metro's senior management team.

The above make up a highly experienced group to oversee the implementation of Metro's corporate plan.

With the future in mind, Metro was most pleased that passenger transport received a major boost through the 2011 Tasmanian Budget with the injection of \$7.5 million to develop the sector



as a genuine first choice for commuters. In addition Metro was allocated an additional \$3.25 million specifically to improve its passenger bus services, and a further \$750,000 was allocated to the Department of Infrastructure, Energy and Resources for infrastructure projects including the rollout of park-and-ride initiatives.

All of these initiatives were obviously positive announcements that will greatly assist our work over the 2010/11 period and beyond.

In closing my first Metro Annual Report Chairperson's message, I would like to thank my fellow Directors, the CEO and her management team and all of our employees for their hard work and dedication over the twelve-month period covered by this report.

In particular, I would like to note the contribution of Acting Chairperson, and current Director, Mike Wisby who held the position for seven months following the retirement of long-time Chair and Director Sally Denny.

I would also like to welcome Ian Newman and Geoffrey Hazell who joined the Board in early 2010 to accompany myself, Lynn Mason and Tracy Matthews, and formally farewell Robert Pearce and Robert Flanagan, thanking them for their contribution over several years.

Finally, I would like to thank former Minister Graeme Sturges for his support of Metro and passenger transport in general during his time in office.

I am pleased to report that Metro's new Minister, Nick McKim, the Minister for Sustainable Transport and Alternative Energy has demonstrated a real passion for passenger transport. He is working closely with Metro, supporting our objective of transitioning people from using their cars to travelling on Metro buses. The Minister is providing leadership to the industry in expanding the effective role of passenger transport in the State.

Ron Ward
Chairperson

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CHIEF EXECUTIVE OFFICER'S REVIEW

Since my appointment on 1 July 2009, a key focus for me has been the promotion of passenger transport as an efficient, sustainable and low-emission means of getting Tasmanians from point A to point B, and on to point C.

Over the 12 months to 30 June 2010, Metro grew urban patronage by 0.9 per cent, recording 10.99 million passenger trips. Both Hobart and Launceston enjoyed growth – 1.3 per cent in Hobart, 1 per cent in Launceston. Burnie had a 5 per cent decrease in passenger trips.

While patronage increased in 2009/10 compared to the previous financial year, it is obviously important that the number of passengers we carry continues to increase, both from a business bottom line and environmental perspective.

Improving our services is one obvious way to achieve patronage growth.

Metro has commissioned a research company with specific passenger transport experience to ask a diverse range of Tasmanians (current passengers, people who have previously used Metro services and non bus users) what they think about the services Metro provides.

This process will clarify what we are doing right and what we could do differently or better, allowing us to plan and implement better services for the community. Full details of the research outcomes will be communicated when available.

The upgrading of Metro's old ticketing system, with the introduction of the *Greencard* to make travelling on Metro's buses even easier, was another initiative designed to increase patronage.

The new *Greencard* ticketing system was introduced in Burnie in March 2009, and after a successful trial, in Launceston in August 2009 and Hobart in September 2009.

The system includes a credit card-sized smart card (*Greencard*) that is read electronically in a fraction of a second to assist passengers to board buses more quickly. The card contains an electronic 'purse' that can be added to in a number of ways. The cost of the trip is deducted from the card's 'purse' whenever a passenger travels on a Metro bus.

The successful integration of this new system was a challenging process, but extremely worthwhile in the end. At 30 June 2010, there were more than 41,300 registered *Greencards* in use in Tasmania.

The introduction of *Greencard* was a major change for our customers. To assist passengers through this change period, Metro introduced On Bus Support Officers not only to promote the new system but also to receive feedback. Information collected was used by Metro to develop a better understanding of passenger knowledge about *Greencard* which in turn was used to adjust Metro's *Greencard* communication.

The introduction of *Greencard* also allowed the Tasmanian Government and Metro to integrate the Student Bus Pass for Free Travel program with this smart card. The integration meant students who caught Metro buses, and were eligible for free travel, could use their Metro *Greencard* as their student bus pass.

As outlined in the Chairman's message, the Department of Infrastructure, Energy and Resources (DIER) received an additional \$750,000 from the Tasmanian Government for the roll-out of park-and-ride initiatives statewide. During 2009/10 Metro has worked with DIER and the Kingborough Council and considerable work was completed on Metro's first park-and-ride facility at Kingston. The service will start in 2010/11.



Again, the park-and-ride concept is designed to increase patronage. But there are also environmental benefits - a Metro bus carries its passengers with fewer greenhouse gas emissions per person per kilometre than other motor vehicles. This is an important message for the community and one that Metro and the Minister are keen to build on.

Metro's focus on the environment and innovation was recognised by the Tasmanian Bus Association with the presentation of a TasBus award at its annual conference. The award recognised the work Metro has undertaken in recent years to improve the environmental performance of its fleet. The award was judged on three criteria - management's commitment to the environment and innovation, practical measures introduced to address environmental issues and how it proactively addresses environmental issues.

Metro issued tenders in 2007 for the supply of buses over a four-year period, the scope of which was based on technology and innovation. Manufacturers were asked to provide submissions based on the latest low-emission vehicles and buses that could use alternative fuels. Metro placed an order for eight new Euro4 diesel buses with

the option to go to Euro5 (Enhanced Environmentally Friendly Vehicle) as soon as the chassis were available. The first Euro5 bus entered the fleet in October 2008 and Metro has since purchased another 17 of these vehicles, with a further four to be delivered in the first half of 2011.

Occupational health and safety is a priority issue for Metro. It is a monthly agenda item addressed by the Board and the senior management team.

While road safety is an area of critical importance for Metro 365 days of the year, it is particularly important during the festive season. During the Christmas / New Year period Metro operated a 'Night Rider' bus service on Hobart's main bus routes after midnight for the first time. A post-midnight service also operated in Launceston and Burnie on New Year's Eve. The Metro initiative, which received funding assistance from the Motor Accidents Insurance Board (MAIB), was designed to reduce the number of drink/drug affected drivers on Tasmanian roads. A review of the service was undertaken and Metro will be seeking the assistance of MAIB to provide a similar service during the 2010 festive season.

Metro commenced rolling out a new look for the front of its buses during the 2009/10 financial year. Bus fronts have been painted yellow to help passengers differentiate Metro buses from other heavy vehicles. The new colour was selected to assist passengers recognise when a Metro bus was approaching. Feedback on the new livery has been very positive.

I would like to thank my management team and all employees for their support during the year and I look forward to working with them to implement Metro's corporate plan to *transform Tasmania's passenger transport to be a travel option of choice*.

Heather Haselgrove
Chief Executive Officer

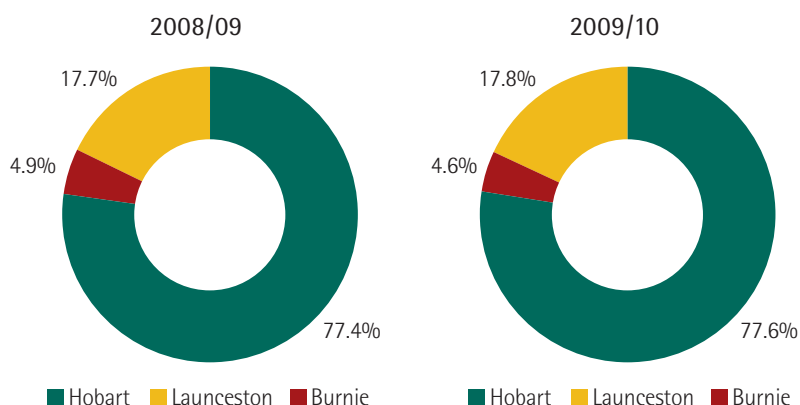


OUR PERFORMANCE

Passenger Levels

This year, 10.099 million boardings were recorded on Metro bus services – an increase of 0.9%. Travel in Hobart increased by 1.3%, with a similar 1.0% increase in Launceston whilst Burnie had a 5.0% decline.

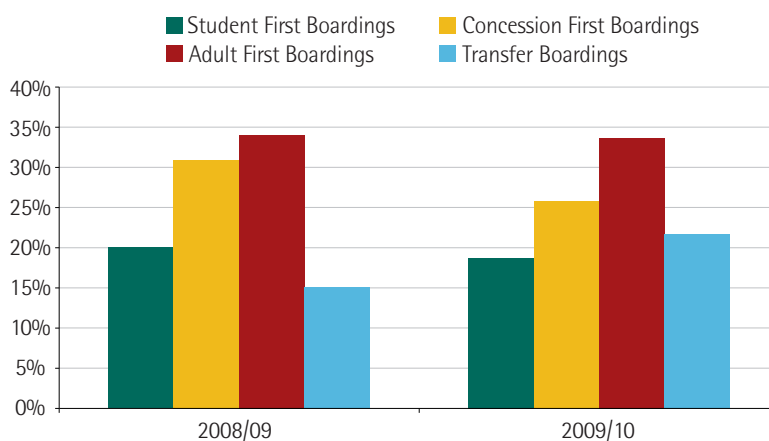
Figure 1 – Total Boardings



The increase in transfers reflects the change in the way the Greencard ticketing system records second and subsequent boardings for Day Rover and Day Tripper tickets; they are counted as transfers. In the old ticketing system they were counted as a first boarding if more than 90 minutes had elapsed from the previous boarding.

The use of Greencard continues to increase with over 50% of journeys being made using a Greencard. At 30 June 2010, Metro had issued 41,300 Greencards. Over the next year Metro will continue to market Greencard to increase its usage.

Figure 2 – Boardings by Passenger Type





Service Initiatives

The following service initiatives were implemented in 2009/10:

Hobart

A weekday interpeak service from Lindisfarne to Rosny Park commenced in July 2009 following feedback from the Eastern Shore Review.

Metro Night Rider services were provided to selected suburbs in Hobart on certain days during the Christmas and New Year period. Sponsorship for these services was provided by MAIB.

Launceston

A 15 minute weekday peak period shuttle from Inveresk to Launceston CBD and an interpeak 30 minute city loop commenced in November 2009. Both services are fully funded by Launceston City Council.

A weekday park-and-ride service from Hoblers Bridge Road to Launceston General Hospital for staff of the hospital and health service commenced in March 2010. The service is fully funded by the Launceston General Hospital.

Figure 3 – Usage of Greencard since statewide implementation

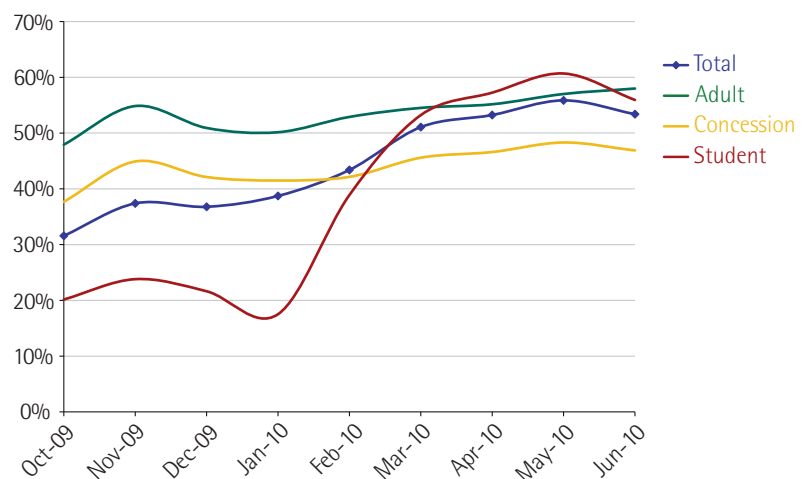
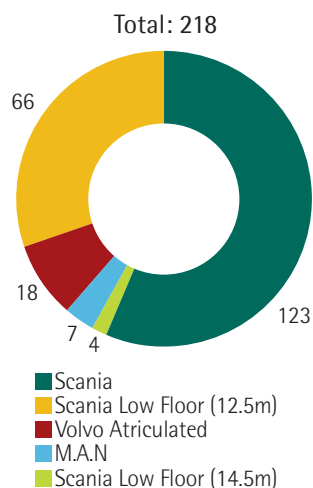


Figure 4 – Buses in Service (as at 30 June 2010)



Metro Fleet

Metro operates a fleet of 218 buses all of which are fitted with CCTV. A third of the fleet is wheelchair accessible and around 20% are air conditioned.



OUR PERFORMANCE

Website

The Metro website (www.metrotas.com.au) provides a wide range of information to passengers including:

- Timetables and maps
- Tickets and fares
- Greencard ticketing system
- News and service changes
- Company overview
- How to contact Metro and provide customer feedback.

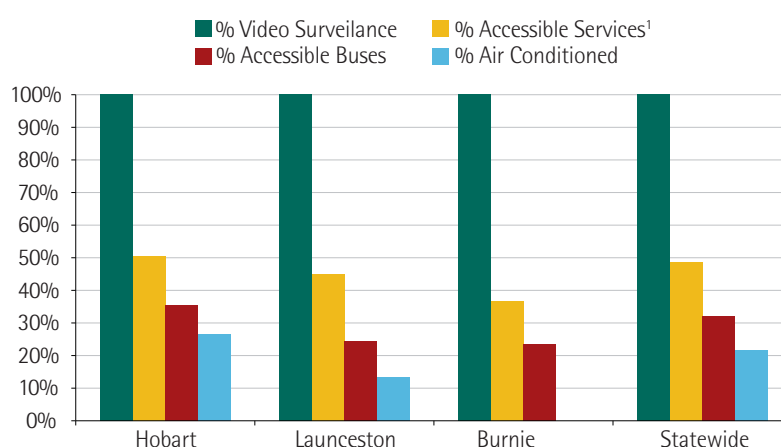
Over 500,000 visits were made to the Metro website in 2009/10.

Metro is finalising a journey planner for passengers to enable intending passengers to plan their journey from their home, workplace or a web enabled mobile phone.

Public Interest Disclosures

Metro is required to establish procedures for the disclosure and investigation of improper conduct or detrimental action. These procedures are accessible via Metro's website. No disclosures were made to or about Metro during the financial year.

Figure 5 – Buses with Special Features



¹ This is the percentage of services operated with an accessible bus, not the percentage advertised as accessible. The percentage may fall on a given day if an accessible bus is not available.



OUR WORKFORCE

Workforce numbers have remained stable over the past twelve months.

"Over the past two years an increasing number of employees from non-English speaking backgrounds have been hired by Metro."

Workforce

Workforce numbers have remained stable over the past twelve months.

Number of employees at 30 June 2010:

Hobart	314
Launceston	79
Burnie	20

Number of full-time equivalent employees at 30 June 2010:

Hobart	295
Launceston	75
Burnie	18

Recruitment

There has been a significant turnover of senior employees over the last twelve months. Five senior positions have been filled this financial year including the Chief Executive Officer, General Manager Operations, Manager Human Resources, General Manager Business Development and Planning and the General Manager Infrastructure and Engineering. Response to Metro advertisements placed in the print media and online has provided a

number of high-quality candidates for most positions. Specific positions in Business Development and Planning have presented a challenge in finding suitable candidates due to the small pool of suitably qualified applicants available within the Australasian labour market. Despite this, Metro has been successful in filling all vacancies advertised.

Recruitment of bus operators has been brought back in house. The recruitment process now involves:

- Applications
- Aptitude Testing (literacy & numeracy)
- Structured Interviews
- Reference Checks
- Pre-employment Medical.

Workplace Diversity

Over the past two years an increasing number of employees from non-English speaking backgrounds have been hired by Metro. Continued education of the



OUR WORKFORCE

Metro workforce in the associated issues and applicable policies is under way to ensure a harmonious workplace.

Employee Development

Metro focuses on upgrading the skills and knowledge of its workforce. During the past twelve months courses were run in:

- Conflict resolution
- Supervisory development
- Various software courses
- First aid
- Contact officer
- Report writing
- Specialist software applications (for example, Austriacs).

All new bus operators hired into Metro are trained up to the Certificate III level in Transport and Distribution. This year 22 employees have successfully gained this qualification. Other external training being supported by Metro includes:

- Certificate III in Transport and Distribution (50 employees)
- Certificate IV in Automotive Technology

- Graduate Diploma of Applied Corporate Governance
- Management Diploma
- Certificate III in Accounting
- Certificate IV in Training and Assessment.

Apprenticeships

Metro continues to train apprentices as diesel technicians and automotive electricians through a group training company. Currently Metro has six apprentices in various stages of their apprenticeships at the Launceston and Hobart depots. Recently one of the apprentices who had just completed his indentures was hired into a full-time trades position at the Springfield depot.

In October 2009, Stephen Donovan, a fourth-year apprentice with Metro, was awarded the title of Tasmanian Apprentice of the Year for Work and Training Pty Ltd.

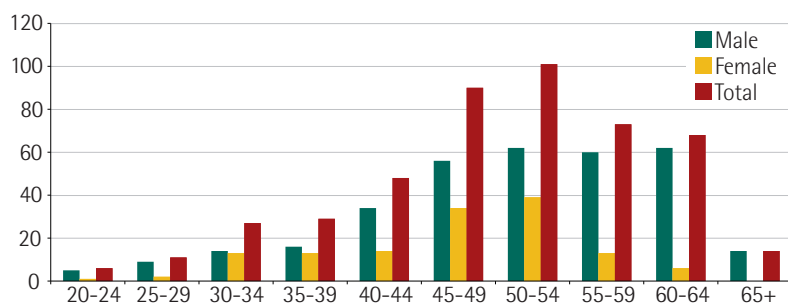
Workforce Profile

Metro's workforce reflects a typical age pattern of many Australian workplaces with significant numbers of employees in the 45-plus category. Planning has commenced to address the forecast exodus of employees over the coming ten to fifteen years.

"In October 2009, Stephen Donovan, a fourth year apprentice with Metro, was awarded the title of Tasmanian Apprentice of the Year for Work and Training Pty Ltd."



Figure 6 – Age Profile



Analysis of years of service reveals just under half of the employees have under 5 years service. Breakdown of the workforce by gender and by employment category shows the relatively recent increase in the number of females employed by Metro.

Figure 7 – Years of Service

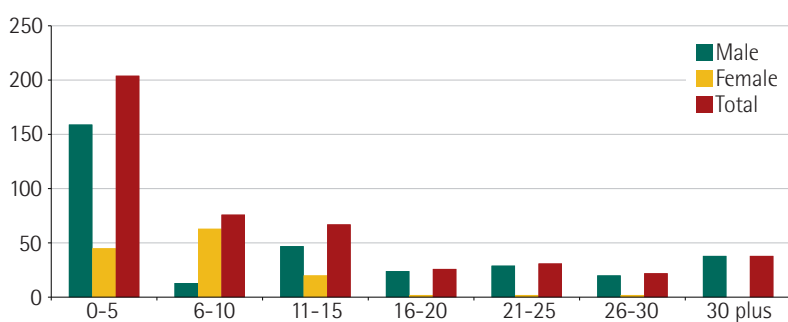
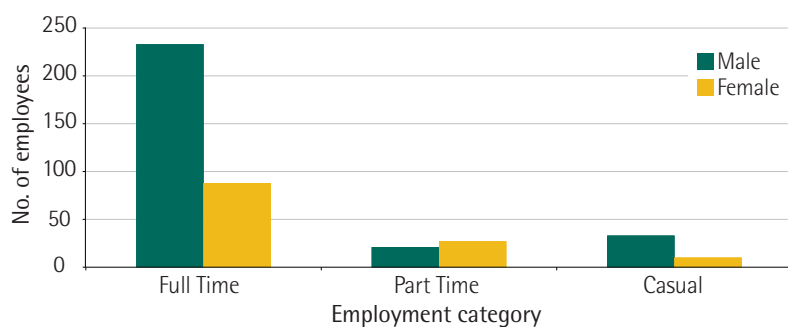


Figure 8 – Employment Status by Gender





OUR WORKFORCE

"To reduce the safety risks faced by Metro employees regular audits are conducted to identify risks and ensure actions are undertaken to eliminate or reduce risks."

OHS Initiatives

A number of health promotions were run to raise the awareness of our workforce on typical health issues they will face as they age. These have included:

- Heart
- Prostate cancer
- Male health
- Get Active Programs for Men's and Women's groups
- Alcohol and other drugs presentations
- A range of information brochures on health and wellbeing topics.

To reduce the safety risks faced by Metro employees regular audits are conducted to identify risks and ensure actions are undertaken to eliminate or reduce risks. These audits focus on Metro sites and external locations regularly used by Metro employees (for example, bus malls).

In 2009, Metro awarded the inaugural *Jeff Dallas Memorial*

Safety Award to Jeff Young.

Jeff Young commenced employment with Metro in May 1974 and has been an elected Employee Safety Representative for 19 years during which time he has been a member of the OH&S Committee. Jeff is fully trained to Level 3 in Occupational First Aid and maintains the first-aid room and first-aid kits. The award is presented in memory of Jeff Dallas, who passed away in June 2009. He was Group Manager, Operations and Engineering and was very focused on improving the health and safety for all who worked at Metro.

Safety Performance

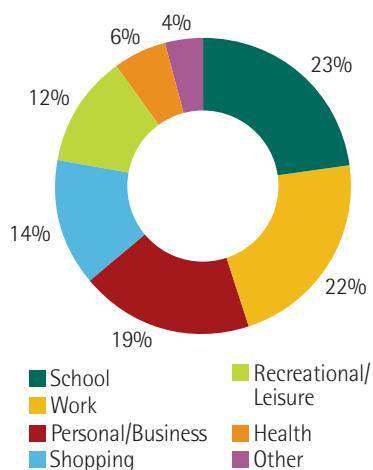
Monitoring of safety statistics reveal limited change in the Lost Time Injury Frequency Rate and Medical Injury Treatment Rate. Over the next twelve months there will be increased focus on risk assessments, risk reduction activities and the creation of standard work procedures that eliminate or reduce the identified risks.



OUR CUSTOMERS

Metro strives to provide services which meet passenger needs.

Figure 9 – Main Purpose for Travel



To better understand what will attract people to use Metro bus services, Metro commissioned a detailed market research project to undertake in-depth research with passengers, people who used to use Metro services and non-bus users. The project methodology involved two key research stages – qualitative exploration and quantitative measurement. The qualitative exploration involved

Table 1 – Results from Customer Service Research Report June 2010

Attribute	% agreeing in 2009	% agreeing in 2010
I always feel safe when on a bus in Hobart/Launceston	90	91
The buses are comfortable to ride on	91	88
Other passengers do not worry me	84	86
Buses start early enough in the day for me	84	85
The buses are clean	91	81
Buses run late enough in the day for me	71	64

conducting focus groups with regular users, lapsed users and non-users to explore the issues around their needs and expectations of Metro's services. The insights gained from the focus groups formed the basis of the quantitative measurement which involved conducting 600 ten-minute interviews with the general population of Greater Hobart and Launceston.

The findings of the research will include recommendations on ways Metro can work to address the key issues raised, what services Metro should be providing to meet customer needs and where resources should be allocated to improve the customer experience and attract more people to catch the bus rather than using their motor vehicle.



OUR CUSTOMERS

Metro invites feedback, compliments and complaints from passengers.

"All complaints are investigated and a response is provided to the person lodging the complaint within 10 working days."

Customer Service

Metro invites feedback, compliments and complaints from passengers. This can be done in writing, through the website or over the telephone to the Metro Hotline. All complaints are investigated and a response is provided to the person lodging the complaint within 10 working days. Metro uses the information provided by customers when it redesigns services.

In 2009/10 Metro received 107 compliments and 796 complaints.

Figure 10 – Compliments and Complaints

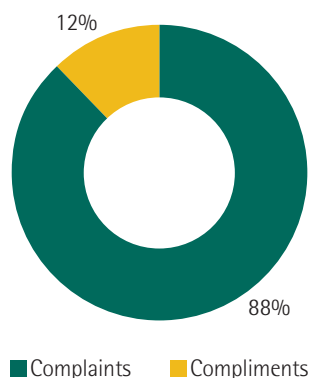
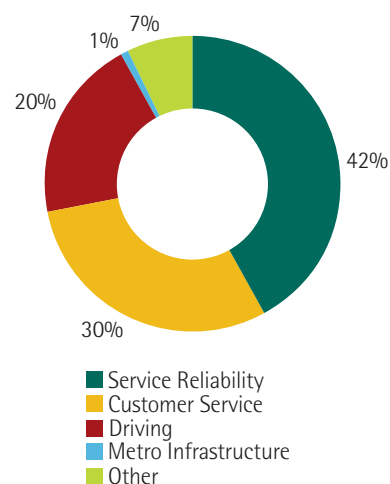


Figure 11 – Breakdown of Complaints



While all compliments recognised a high standard of service delivery by individual drivers and staff, there have been several which warranted recognition as Compliment of the Month. These were made to:

Les Clark – a passenger emailed to thank Les for his kindness and patience in helping her recharge her Greencard.

Andrew Barnstable – a mother emailed Metro to pass on her thanks



to Andrew for helping her daughter who was being threatened by another student. Andrew made sure she was safe until her mother was able to collect her. The mother was extremely grateful.

Bill McCarthy – a visitor to Tasmania and his wife wrote to thank Metro for our high-quality service, in particular Bill who was very courteous, helpful and in particular for the attention he gave to all his passengers.

Todd Smith – a passenger emailed Metro to thank Todd for going out of his way to help her when she caught the wrong bus; the passenger was most impressed.

Peter Preer – a passenger emailed Metro to say that Peter kept all his passengers amused during a grid-lock in the city with good music and good humour, a lovely touch.

Greg McLaughlin – a passenger phoned to compliment Greg on the way he handled two very abusive customers. She said he was very professional and kept his cool.

Debra Whitehouse – two visitors from interstate phoned Metro to say that Debra was the highlight of their trip saying she was absolutely fantastic.

Kent Daniels – a lady wrote to Metro to pass on her gratitude to the Front Office Staff, in particular, Kent Daniels. She lost her footing at the interchange and sprained her ankle. Kent administered an ice pack and then drove the lady home.

Glen Swain – a very appreciative customer contacted Metro stating that she was extremely happy with the smooth, safe journey she experienced, and also the courteous and considerate manner Glen displayed towards all passengers. The customer stated "It is a pleasure to travel with Glen".

Stuart Bester – an elderly lady had a fall and cut herself quite badly; Stuart attended to the lady and called an ambulance. She was very impressed with the way he handled the situation and stated that he was so polite and courteous.



OUR COMMUNITY

Metro regards itself as a good and responsible corporate citizen, undertaking a range of activities.

As the State's largest passenger transport provider, Metro's core responsibility is to provide passenger transport services. But Metro also has a strong sense of corporate responsibility that goes beyond this.

Primarily, this involves providing its bus services to worthy causes. There are a large number of groups which Metro has helped in this way and the company is seen as the first port of call for event organisers with mass transportation requirements.

Metro has taken a leading role in, for example, transporting visitors to and from major community events, such as the Hobart Christmas Pageant and ferrying exhausted runners back down Mount Wellington following their completion of the annual Point to Pinnacle Half-Marathon.

Metro also provides bus advertising for the community's benefit and several not-for-profit organisations have taken up no-fee advertising on the buses, including the Cancer Council Tasmania, Dragons Abreast and the Variety Club.

Metro's corporate responsibility also includes the support of its employees. That is why Metro supports its employees who are part of the Australian Defence Force Reserves. Metro employees also participated in the Dragons Abreast Corporate Challenge.

Metro runs a number of fundraising initiatives with its employees, for example, Dress Down Friday and a staff barbecue, where employees donate to a different charity each month.

Metro has supported a diverse range of community organisations throughout the 2009/10 financial year, including not-for-profit organisations, government initiatives and community celebrations, in the ways described above. These organisations include:

- Channel Axemens Association
- Risdon Vale Volunteer Fire Brigade
- Australia versus West Indies Twenty20 cricket
- Carols by Candlelight

- Various Christmas and New Year functions across the State
- Hobart Show
- Hobart Summer Festival
- Industry Open Day, Department of Economic Development
- Mountain Festival
- Poet's Omnibus
- Seniors Expo / Seniors Week
- Streets Alive
- Tasmania Living Artists
- Tulip Festival
- Anzac Day free travel for veterans and serving defence force personnel
- Cancer Council
- Variety Club
- Bonorong Wildlife Park
- Dragons Abreast
- Canteen
- Heart Foundation.

Metro is proud to consider itself an organisation engaged with the community and looks forward to becoming more so in the future.



BOARD OF DIRECTORS



Ron Ward

Mr Ron Ward was appointed as a Director and Chairperson on 7 December 2009. He also chairs the Centacare Tasmania Advisory Board. Ron is currently a Director of the Tasmania *Together* Progress Board, Tasmanian Chamber of Commerce & Industry, Tasplan Ltd, Tasmanian Growth & Development Fund Pty Ltd, Mornington Park Development Pty Ltd and R.E. Ward & Co Pty Ltd. He was Group General Manager of Veolia Environmental Services (Australia) Pty Ltd - Tasmania (formerly Collex), from early 2000 until end 2009 and prior to that was Managing Director of RJ Transport Consultancy Pty Ltd. He provides general consultancy services to business trading as Ron Ward Consultancy. Ron is a fellow of the Australian Institute of Company Directors.



Mike Wisby

Mr Mike Wisby was appointed Director on 21 May 1999 and was Acting Chairperson from 26 April 2009 until 6 December 2009. He is Chairperson of Variety, the Children's Charity in Tasmania, a Director of Variety Australia Ltd and Treasurer of the Carbine Club of Tasmania Incorporated. He is currently the Chief Executive Officer of the Tasmanian Racing Club and has successfully owned and operated several small businesses in greater Hobart. He holds a Bachelor of Commerce, is a Chartered Accountant and a Graduate member of the Australian Institute of Company Directors.



Tracy Matthews

Ms Tracy Matthews was appointed Director on 27 November 2007. She is the President of the Board of Governance of Colony 47 Incorporated and Director of JobNet Tasmania Incorporated and the Royal Yacht Club of Tasmania. She is a member of the Prostate TAS Action (Cancer Council of Tasmania). She was a former Director and Chairperson of the Printing Authority of Tasmania and Company Secretary of Robt. Nettlefold Pty Ltd. She is a chartered accountant and a consultant with Wise Lord & Ferguson and was previously the General Manager and Company Secretary of Commercial Broadcasters Pty Ltd. She holds a Bachelor of Commerce and is a Fellow of the Institute of Chartered Accountants Australia and a Graduate member of the Australian Institute of Company Directors.

BOARD OF DIRECTORS



Lynn Mason

Ms Lynn Mason was appointed Director on 3 March 2008. She is Chairperson of the Tasmanian Affordable Housing Ltd and the Tasmanian Community Fund. She is Director of Furneaux Aquaculture Pty Ltd, Quadrant First Pty Ltd and trustee Director of Quadrant Superannuation. She is a member of the Local Government Board. She is past President of the Local Government Association of Tasmania, past Mayor of Flinders Council and past Senior Vice President of the Australian Local Government Association. She is a partner in the partnership of JM & NL Mason which owns and runs grazing property in Carrick and on Flinders Island. She holds a Bachelor of Arts and is a fellow of the Australian Institute of Company Directors.



Geoffrey Hazell

Mr Geoffrey Hazell was appointed Director on 5 February 2010. He is a Director of Hazell Bros Group Pty Ltd incorporating Statewide Cranes, Quick Mix Concrete and Hobart Blue Metal Industries. He is a fellow of the Australian Institute of Company Directors and a member of the Institute of Building Australia, Institute of Quarrying Australia and member of the Civil Contractors Federation.



Ian Newman

Mr Ian Newman was appointed Director on 9 February 2010. He is a Director of Cradle Coast Water. He has held a number of senior management positions in public, private and government organisations in both Australia and the South Pacific region in transport, tourism and retail industries in the last twenty years. Ian has considerable experience in personnel management and industrial relations, including teaching and lecturing at tertiary level. He is currently the Tasmanian Manager of SeaRoad Logistics Pty Ltd. Ian holds a Bachelor of Economics.



DIRECTORS' REPORT

The Directors of Metro Tasmania Pty Ltd present the annual financial report for the year ended 30 June 2010.

Principal Activities

Metro's principal activity during the financial year was the provision of bus passenger transport services in the Tasmanian urban centres of Hobart, Launceston and Burnie and to some regional centres around Hobart and Burnie.

Review of Operations

For the year ended 30 June 2010 Metro recorded a profit before income tax of \$56,000 (2009: loss of \$511,000) and after tax of \$189,000 (2009: loss of \$146,000).

A detailed review of operations is contained in the Chairperson's Review on page 2 and in the Chief Executive Officer's Review on page 4.

Dividends

The Directors do not recommend payment of a dividend this year. No dividend was paid for the year ended 30 June 2009.

Changes in State of Affairs

There were no significant changes in the state of affairs of the company that occurred during the financial year under review.

Subsequent Events

There has not been any matter or circumstance other than that referred to in the Financial Statements or Notes thereto that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operation of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

Likely Future Developments

Directors and shareholders have recently approved Metro's new three-year corporate plan with a new vision, business purpose, values and corporate goals.

Metro continues to negotiate with the Department of Infrastructure, Energy and Resources for sustainable contracts which will provide appropriate payments for operating expenditure and capital replacement.

Directors

The names of the Directors in office during and since the end of the financial year are set out in Note 20 of the Financial Statements. The names of current Directors and details of their qualifications and experience appear on pages 17 and 18.

Directors are appointed by the shareholders for terms of three years and are eligible for reappointment in accordance with the Tasmanian Government Governance Framework. The Chairperson is appointed annually by the shareholders.

DIRECTORS' REPORT

Directors' Remuneration

Fees paid to Directors are set by the Minister representing the Crown. Details are set out in Note 20 of the Financial Statements.

During the twelve months, no director has received, or become entitled to receive, a benefit by reason of a contract made by Metro with a Director or with a firm of which he or she is a member or an entity in which he or she has a financial interest.

Corporate Governance

The Board of Directors is responsible for the overall corporate governance of the company. Corporate governance is the system by which the activities of a company are controlled and coordinated in order for the company to achieve its desired outcomes.

As a state-owned company the Board is responsible to its shareholders, the Minister for Sustainable Transport and Alternative Energy and the Treasurer in meeting the aspirations of the State Government and the Board directs management accordingly.

The Board performs this role by:

- Appointing and monitoring the performance of the Chief Executive Officer;
- Clearly identifying and enunciating the strategic direction for Metro;
- Identifying and addressing the principal risks for Metro;
- Monitoring the conduct and performance of the company through an integrated framework of controls;
- Ensuring all Metro's business is conducted in an honest, open and ethical manner; and

- Ensuring adequate succession planning is undertaken.

Remuneration Committee

The Remuneration Committee comprises three Directors and the Chief Executive Officer. This Committee oversees remuneration practices and policies in relation to senior management and other staff of the company.

Audit and Risk Management Committee

Metro has an Audit Committee which comprises three Directors. The Audit Committee has a documented charter, approved by the Board. The Committee's responsibilities under its charter include consideration and monitoring of matters relating to external reporting, risk management, internal and external audit functions.

Indemnification of Directors and Officers

During the financial year Metro paid a premium for an insurance policy to insure the Directors of Metro, all executive officers of Metro and its related body corporate against potential liabilities to the extent permitted by Corporations Law.

Superannuation Declaration

The company has met its obligations under the *Superannuation Guarantee (Administration) Act 1992* in respect to those employees who are members

of a complying superannuation scheme to which Metro contributes. The company also has a defined benefit scheme, under the *Retirement Benefits Act 1993*, which is subject to actuarial valuations and covers current and former employees.

Auditor's Independence Declaration

The accounts of the company are independently audited by the Tasmanian Auditor-General. The Auditor-General has provided the Directors with an Independence Declaration as required under section 307C of the *Corporations Act 2001* which is included on page 21.

Rounding off of amounts

Metro is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order amounts in the Directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with the resolutions of the Directors made pursuant to Section 298 (2) of the *Corporations Act 2001* on behalf of the Directors.



Ron Ward
Chairperson

12 August 2010

AUDITOR'S INDEPENDENCE DECLARATION

 **Tasmanian Audit Office**
STRIVE | LEAD | EXCEL | TO MAKE A DIFFERENCE

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6 August 2010

The Board of Directors
Metro Tasmania
PO Box 61
MOONAH TAS 7007

Dear Board Members

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of Metro Tasmania Pty Ltd for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Pursuant to section 298(1)(c) a copy of this declaration must be included in the Directors' report.

Yours sincerely



E R De Santi
DEPUTY AUDITOR-GENERAL
Delegate of the Auditor-General

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
• Professionalism • Respect • Camaraderie • Continuous Improvement • Customer Focus •

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DIRECTORS' DECLARATION

The Directors of the Consolidated Entity declare that:

- (a) the attached Financial Statements and Notes are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2010 and of its performance, as represented by the results of their operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Act 2001*; and
- (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



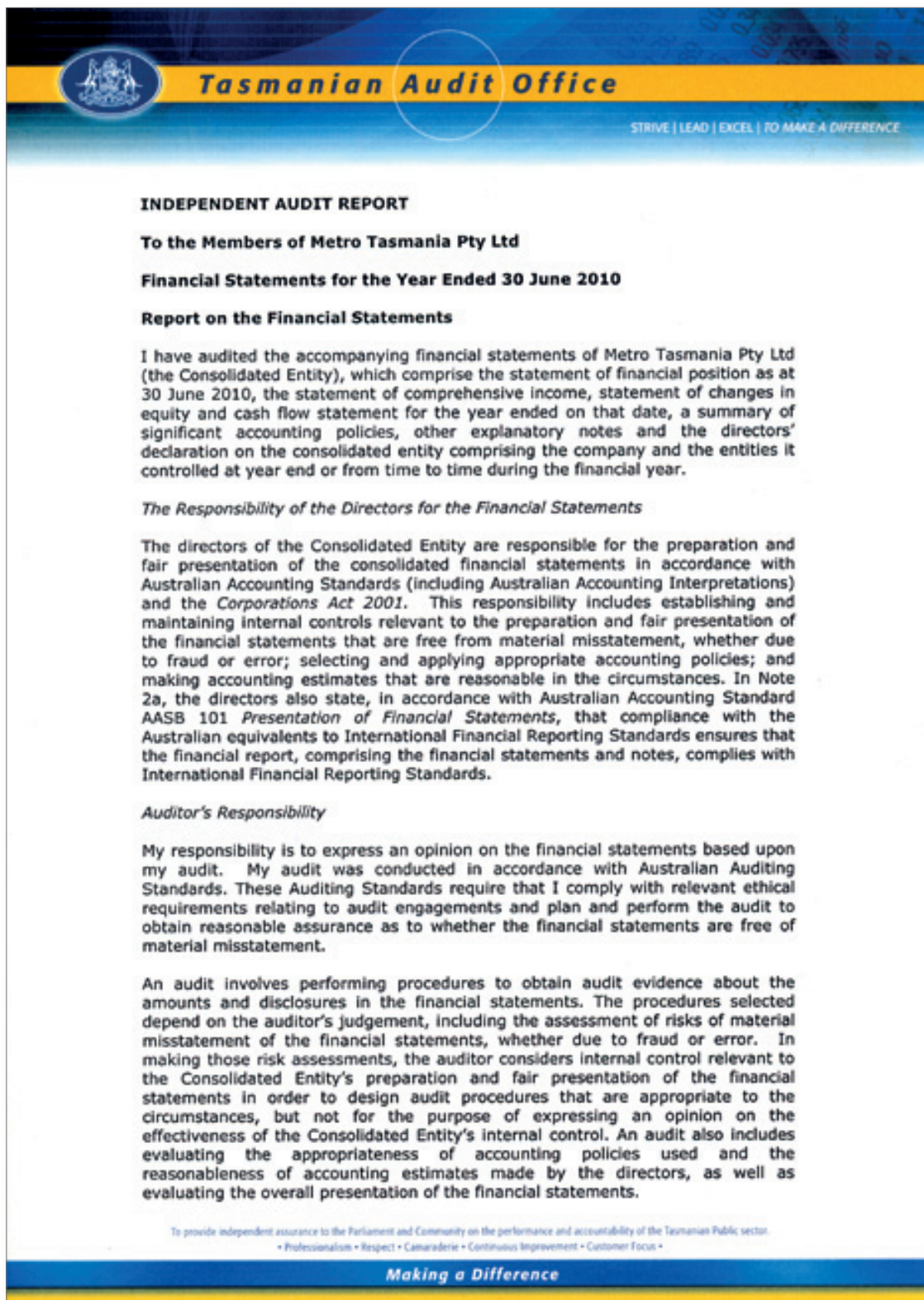
Ron Ward
Chairperson



Michael Wisby
Deputy Chairperson

12 August 2010

INDEPENDENT AUDIT REPORT



INDEPENDENT AUDIT REPORT

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. The *Audit Act 2008* further promotes independence by:

- Providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- Mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Metro Tasmania Pty Ltd dated 6 August 2010 and included in the Directors' Report, would be unchanged if provided to the directors as at the date of this audit report.

Auditor's Opinion

In my opinion:

- (a) the financial statements of Metro Tasmania Pty Ltd are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Metro Tasmania Pty Ltd and consolidated entity's financial position as at 30 June 2010 and of their financial performance for the year ended on that date, and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2a.

TASMANIAN AUDIT OFFICE



E R De Santi
DEPUTY AUDITOR-GENERAL
Delegate of the Auditor-General

HOBART
12 August 2010

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
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STATEMENT OF FINANCIAL POSITION

As at 30 June 2010		CONSOLIDATED	
	Note	2010 \$'000	2009 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	5,435	4,327
Trade and other receivables	8	341	809
Inventories	9	1,046	917
Assets held for sale	10	261	511
Other current assets	11	854	1,017
TOTAL CURRENT ASSETS		7,937	7,581
NON-CURRENT ASSETS			
Property, plant and equipment	12	49,469	45,604
Intangible assets	13	143	254
Deferred tax assets	6	10,467	10,201
TOTAL NON-CURRENT ASSETS		60,079	56,059
TOTAL ASSETS		68,016	63,640
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	4,836	2,575
Employee benefits	15	5,091	5,306
TOTAL CURRENT LIABILITIES		9,927	7,881
TOTAL NON-CURRENT LIABILITIES			
Employee benefits	15	20,168	18,618
Deferred tax liabilities	6	5,382	5,109
NON-CURRENT LIABILITIES		25,550	23,727
TOTAL LIABILITIES		35,477	31,608
NET ASSETS		32,539	32,032
EQUITY			
Contributed equity	16	15,503	15,503
Asset revaluation reserve	17	13,594	12,587
Retained profits	18	3,442	3,942
TOTAL EQUITY		32,539	32,032

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

		CONSOLIDATED	
	Note	2010 \$'000	2009 \$'000
REVENUE			
Passenger transport operations	4(a)	40,343	40,015
Other operating income	4(b)	732	504
Financial income	4(c)	207	315
Non-operating income	4(d)	3,250	780
		44,532	41,614
EXPENSES			
Passenger transport operations	5(a)	(33,092)	(31,771)
Engineering and maintenance services	5(b)	(5,501)	(5,153)
Administration and general	5(c)	(5,877)	(5,201)
Finance costs	5(d)	(6)	-
		(44,476)	(42,125)
Profit/(loss) before income tax		56	(511)
Income tax(expense)/benefit	6	133	365
Profit/(loss) for the year		189	(146)
Other comprehensive income			
Revaluation of property, plant and equipment		1,503	2,593
Net change in fair value of available-for-sale financial assets		(9)	(78)
Defined benefit plan actuarial gains/(losses)		(1,036)	83
Income tax on other comprehensive income		(140)	41
Other comprehensive income for the year, net of income tax		318	2,639
Total comprehensive income for the year		507	2,493

The Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010	CONSOLIDATED			
	Contributed equity	Asset revaluation reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2009	15,503	12,587	3,942	32,032
Total comprehensive income for the year				
Profit/(loss)	-	-	189	189
Other comprehensive income				
Net gain on revaluation of property, plant and equipment, net of tax	-	1,052	-	1,052
Net change in fair value of available-for-sale financial assets, net of tax	-	(45)	36	(9)
Defined benefit plan actuarial gains/(losses), net of tax	-	-	(725)	(725)
Total other comprehensive income	-	1,007	(689)	318
Balance as at 30 June 2010	-	13,594	3,442	32,539
Balance at 1 July 2008	15,503	10,069	3,967	29,539
Total comprehensive income for the year				
Profit/(loss)	-	-	(146)	(146)
Other comprehensive income				
Net gain on revaluation of property, plant and equipment, net of tax	-	2,609	-	2,609
Net change in fair value of available-for-sale financial assets, net of tax	-	(91)	13	(78)
Defined benefit plan actuarial gains/(losses), net of tax	-	-	108	108
Total other comprehensive income	-	2,518	121	2,639
Balance as at 30 June 2009	15,503	12,587	3,942	32,032

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	Note	CONSOLIDATED	
		2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		46,608	43,596
Interest received	4(c)	207	315
Cash paid to suppliers and employees		(39,780)	(41,118)
Interest paid		(6)	-
Net cash from operating activities	22(a)	7,029	2,793
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		331	100
Acquisition of property, plant and equipment		(6,252)	(7,566)
Net cash from (used in) investing activities		(5,921)	(7,466)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	-
Net cash from (used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		1,108	(4,673)
Cash and cash equivalents at the beginning of the financial year		4,327	9,000
Cash and cash equivalents at the end of the financial year	22(b), 7	5,435	4,327

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Note 1. REPORTING ENTITY

Metro Tasmania Pty Ltd (the "Company") is a Tasmanian State Owned Company domiciled in Australia. The address of the Company's registered office is 212-220 Main Road, Moonah, Tasmania. The consolidated Financial Statements as at and for the year ended 30 June 2010 comprise the Company and its subsidiary (together referred to as "Metro").

Note 2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group and the financial report of the Company comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated Financial Statements were authorised for issue by the Board of Directors on 12 August 2010.

(b) Basis of Measurement

These consolidated Financial Statements have been prepared on an accrual basis and are based on historical costs and do not take into account changing money values except for land, buildings and buses which are measured at fair value. The accounting policies have been consistently applied, unless otherwise stated.

(c) Functional and Presentation Currency

These consolidated Financial Statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of Estimates and Judgments

The preparation of Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(e) Changes in Accounting Policies

Impact of new and revised Accounting Standards

In the current year, Metro has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. These include:

- *AASB 101 Presentation of Financial Statements* – This Standard has been revised and introduces a number of terminology changes as well as changes to the structure of the Statement of Changes in Equity and the Statement of Comprehensive Income. It is now a requirement that owner changes in equity be presented separately from non-owner changes in equity. There is no financial impact resulting from the application of this revised Standard.
- *AASB 123 Borrowing Costs* – This Standard has been revised to mandate the capitalisation of all borrowing costs attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. There is no financial impact resulting from the application of this revised Standard.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. BASIS OF PREPARATION

(e) Changes in Accounting Policies (*continued*)

- AASB 2009-2 *Amendments to Australian Accounting Standards: Improving Disclosures about Financial Instruments* – introduces new disclosure requirements for fair-value measurement and refines existing disclosure on liquidity risk for financial instruments. There is no financial impact resulting from the application of this Standard.
- AASB 2009-10 *Amendments to Australian Accounting Standards: Reclassification of Financial Instruments* permits the reclassification of certain non-derivative financial assets. There is no financial impact resulting from the application of this Standard.
- AASB Interpretation 14 AASB 119 *the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements on such assets. It also gives guidance on when a MFR might give rise to a liability. The Interpretation will not have a material financial impact on Metro's Financial Statements.

Impact of new and revised Accounting Standards yet to be applied

The following Standards have been issued by the AASB and are yet to be applied:

- AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101* – revised Standard to be applied from reporting period beginning on or after 1 January 2010. This Standard changes the term 'general purpose financial report' to 'general purpose Financial Statements' and the term 'financial report' to 'Financial Statements', where appropriate, in Australian Accounting Standards (including Interpretations) and the Framework to better align with IFRS terminology. The Standard will not have a financial impact on the Financial Statements.
- AASB 2009-3 *Amendment to Australian Accounting Standards arising from AASB 3 and AASB 127* – revised Standard to be applied from reporting periods beginning on or after 1 July 2010. The focus of the Standard is to reduce alternatives in accounting for subsidiaries in consolidated Financial Statements and in accounting for investments in the separate Financial Statements of the parent. The Standard will not have a financial impact on the Financial Statements.
- AASB 2009-5 *Amendment to Australian Accounting Standards arising from the Annual Improvements Project* – revised Standard to be applied from reporting periods beginning on or after 1 January 2010. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The Standard will not have a financial impact on the Financial Statements.
- AASB 2009-7 *Amendment to Australian Accounting Standards – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate* – revised Standard to be applied from reporting periods beginning on or after 1 January 2010. The Standard removes the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate and to include recognising a dividend from a subsidiary, jointly controlled entity or associate, together with other evidence, as an indication that the investment in the subsidiary, jointly controlled entity or associate may be impaired. The Standard will not have a financial impact on the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated Financial Statements have been prepared by combining the Financial Statements of all the entities that comprise the economic entity, being Metro Tasmania Pty Ltd (the parent entity) and its controlled entity Metro Coaches (Tas) Pty Ltd. Refer to Note 26. Consistent accounting policies have been employed in the preparation and presentation of the consolidated Financial Statements.

In preparing the consolidated Financial Statements, all inter-company transactions, balances, income and expenses are eliminated in full.

(b) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except for receivables and payables that are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from the ATO, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the ATO.

(c) Revenue

Passenger transport operations revenue

Passenger transport operations revenue is recognised at the time the ticket is purchased.

Financial income

Interest is recognised as it accrues.

Other operating and non-operating income

The net gain (loss) of non-current asset sales is included as income (expenses) at the date control passes to the buyer, usually when an unconditional contract of sale is signed.

The net gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and call deposits.

(e) Trade and Other Receivables

Trade and other receivables are recorded at nominal amounts due less any provision for impairment and are recognised on delivery of services to customers. A significant volume of Metro's operations is performed for the State Government or is received as cash fares. Accordingly, exposure to credit risk is minimal. An estimate for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(f) Assets held for sale

Assets which satisfy the criteria in AASB 5 *Non-Current Assets Held for Sale* are transferred to current assets and separately disclosed as assets held for sale on the face of the Statement of Financial Position. These assets are measured at the lower of carrying amount and fair value less costs to sell. These assets cease to be depreciated from the date on which they satisfy the held-for-sale criteria.

(g) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to Metro prior to the end of the financial year which are unpaid. Measurement is based on the agreed purchase/contract cost. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO THE FINANCIAL STATEMENTS

Note 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Instruments

It is not current Metro policy to utilise derivative financial instruments as a means of managing exposure to risks.

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised and classified as set out below:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(i) Inventories

Inventories are valued at the lower of cost or current replacement cost which consists of bus spare parts, fuel and consumable stores.

(j) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment loss, with the exception of land, buildings and the bus fleet which are independently valued at fair value.

Assets held for sale within the next twelve months are disclosed as current assets.

Depreciation

Depreciation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment (excluding freehold land and the bus fleet) as follows:

Buildings	40 years
Route infrastructure	10 years
Office equipment	4 years
Electronic ticketing and communication equipment	10 years
CCTV equipment	5 years
Plant and equipment	10 years
Auxiliary vehicles	4 years

Land is not depreciated.

An independent calculation of freehold land and buildings was performed as at 30 June 2009 by Mr D Saunders B.Ec. Dip.Val. FAPI Valuer of Saunders & Pitt. This valuation was performed on the basis of 'current market value in the existing use'.

The bus fleet is depreciated using the 'Fleet Depreciation Profile' with an effective life of 25 years as recommended by the independent valuer Mr R.A. van Raay FAPI, FRICS, ASA, AFAIM, CMILT, Certified Practising Valuer (P&M) of m3p&e as at 30 June 2010.

(k) Impairment of Assets

The carrying values of tangible and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may exceed the recoverable amount. The asset is then written down to the recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use.

NOTES TO THE FINANCIAL STATEMENTS

Note 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Intangible Assets

Intangible assets are valued at fair value where an active market exists or recognised at cost where no active market exists.

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use as follows:

Licences	4 years
Computer software	4 years

(m) Leases

Lease payments for the operating leases on property, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(n) Employee Benefits

Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Discount rates used reflect national government securities that closely match the terms of maturity of the related liabilities.

Compensated benefits

Annual leave

The provision for annual leave represents the amount Metro has a present obligation to pay resulting from employees' services provided up to balance date. The provision has been calculated at the amounts expected to be paid when the liability is settled and includes superannuation on-costs.

Long service leave

The provision for long service leave represents the present value of the estimated future cash outflow to be made by the employer resulting from employees' services provided up to balance date. In determining the liability for employee benefits, account has been taken of future increases in wage and salary rates, and Metro's experience with staff departures. Related superannuation on-costs also have been included in the liability.

Retirement benefits

Defined benefit superannuation plan

The State Actuary has provided actuarial calculations of the current benefit of the defined benefit liability under the Retirement Benefits Fund (RBF) for current and former employees of Metro.

The RBF is a defined benefit fund which pays lump sum and pension benefits to members upon retirement (most of which are calculated as a multiple of the member's final average salary).

The RBF has contributory members, compulsory preserved members and pensioners.

Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur, and presented in the Statement of Changes in Equity. Details are referred to at Note 27.

(o) Provisions

A provision is recognised when there is a present, legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Dividends

Dividends payable are recognised in the reporting period in which they are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash. No dividend was recommended by the Board prior to the end of the current financial year or previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

Note 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income Tax

The charge for current tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. No deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items that may be recognised directly into equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that Metro will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(q) Tax Consolidation

The Company and its wholly-owned Australian resident entity formed a tax-consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Metro Tasmania Pty Ltd and the subsidiary entity is Metro Coaches (Tas) Pty Ltd.

(r) Segment Reporting

Metro operates bus services in Hobart, Launceston and Burnie. There are no reportable segments as the economic risks and returns in each location are similar given the new services contract with government.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Note 4. REVENUE		
(a) Passenger transport operations		
Service contracts	30,054	29,344
Ticket fares	10,289	10,671
	40,343	40,015
(b) Other operating income		
Profit on disposal of property, plant and equipment	42	28
Advertising income	319	203
Rental income	81	71
Other income	290	202
	732	504
(c) Financial income		
Interest income	207	315
	207	315
(d) Non-operating income		
Contributions to video systems	-	455
Sale of service contracts	-	325
Additional government funding	3,250	-
	3,250	780
Total income	44,532	41,614

NOTES TO THE FINANCIAL STATEMENTS

Note 5. EXPENSES	CONSOLIDATED	
	2010 \$'000	2009 \$'000
(a) Passenger transport operations		
Fuel	4,423	5,004
Employee and related expenses	22,613	21,463
Depreciation and amortisation expenses	3,427	3,086
Other expenses	2,629	2,218
	33,092	31,771
(b) Engineering and maintenance services		
Maintenance expenses	2,983	2,865
Employee and related expenses	2,374	2,218
Depreciation and amortisation expenses	144	70
	5,501	5,153
(c) Administration and general		
Employee and related expenses	2,487	2,690
Depreciation and amortisation expenses	393	409
Other expenses	2,997	2,102
	5,877	5,201
(d) Finance costs		
Interest expenses	6	-
	6	-
Total expenses	44,476	42,125

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Note 6. INCOME TAX		
(a) Income tax expense recognised in the Statement of Comprehensive Income		
Current tax expense		
Current tax	92	(84)
Adjustments for prior years	-	6
Deferred tax expense		
Decrease/(increase) in deferred tax asset	(358)	(270)
Increase/(decrease) in deferred tax liability	273	(58)
Less recognised directly in equity	(140)	41
Income tax expense/(benefit)	(133)	(365)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Prima facie tax/(tax benefit) on profit/(loss) from operating activities before income tax at 30% (2009: 30%)	17	(153)
Add tax effect of:		
Entertainment (non-deductible)	3	3
Investment allowance	(153)	(221)
Underprovision of prior year income tax	-	6
	(133)	(365)
(c) Income tax expense recognised directly to equity		
Property, plant and equipment (Note 17)	451	(16)
Superannuation (Note 18)	(311)	(25)
	140	(41)
(d) Non-current and deferred tax balances		
Assets:		
Deferred tax assets	10,467	10,201
	10,467	10,201
Liabilities:		
Deferred tax liabilities	5,382	5,109
	5,382	5,109
	5,085	5,092

NOTES TO THE FINANCIAL STATEMENTS

Note 6. INCOME TAX (continued)

2010	CONSOLIDATED				
	Opening balance 1 July 2009	Prior year adjustment	Recognised in the Statement of Comprehensive Income	Recognised in equity	Balance at 30 June 2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Superannuation	5,733	-	98	311	6,142
Tax losses	3,018	-	(92)	-	2,926
Employee benefits	1,372	-	(40)	-	1,332
Provision for impairment	1	-	(1)	-	-
Accrued costs	47	-	-	-	47
Other provisions	28	-	(10)	-	18
Prepayments	(66)	-	3	-	(63)
Inventories	(79)	-	79	-	-
Property, plant and equipment	(4,941)	-	93	(451)	(5,299)
Accrued income	(21)	-	3	-	(18)
Total	5,092	-	133	(140)	5,085

2009	CONSOLIDATED				
	Opening balance 1 July 2008	Prior year adjustment	Recognised in the Statement of Comprehensive Income	Recognised in equity	Balance at 30 June 2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Superannuation	5,458	-	250	25	5,733
Tax losses	2,935	(1)	84	-	3,018
Employee benefits	1,320	-	52	-	1,372
Provision for impairment	5	-	(4)	-	1
Accrued costs	40	-	7	-	47
Other provisions	57	-	(29)	-	28
Prepayments	(67)	-	1	-	(66)
Inventories	(111)	-	32	-	(79)
Property, plant and equipment	(4,932)	(5)	(20)	16	(4,941)
Accrued income	(19)	-	(2)	-	(21)
Total	4,686	(6)	371	41	5,092

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Note 7. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	3,645	2,105
Call deposit at Tascorp	1,790	2,222
	5,435	4,327
Note 8. TRADE AND OTHER RECEIVABLES		
Trade receivables	341	813
Less provision for impairment	-	(4)
	341	809
Note 9. INVENTORIES		
Inventories	1,059	964
Less provision for obsolescence	(13)	(47)
	1,046	917
Note 10. ASSETS HELD FOR SALE		
Property, plant and equipment	261	511
	261	511
Note 11. OTHER CURRENT ASSETS		
Prepayments	854	1,017
	854	1,017

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Note 12. PROPERTY, PLANT AND EQUIPMENT		
(a) Carrying amounts		
Land and buildings		
Land		
At independent valuation 30 June 2009	9,280	9,280
Total	9,280	9,280
Buildings		
At independent valuation 30 June 2009	5,558	5,520
Less: accumulated depreciation	(156)	-
Total	5,402	5,520
Total land and buildings	14,682	14,800
Buses		
At independent valuation 30 June 2010	27,695	31,902
Less: accumulated depreciation	-	(5,319)
Less: provision for impairment	-	20
Total	27,695	26,603
Route infrastructure		
At cost	2,341	2,226
Less: accumulated depreciation	(1,944)	(1,872)
Total	397	354
Office equipment		
At cost	981	1,097
Less: accumulated depreciation	(760)	(805)
Total	221	292
Electronic ticketing & communication equipment		
At cost	4,971	3,500
Less: accumulated depreciation	(504)	(3,342)
Total	4,467	158
CCTV Equipment		
At cost	1,174	-
Less: accumulated depreciation	(116)	-
Total	1,058	-

NOTES TO THE FINANCIAL STATEMENTS

Note 12. PROPERTY, PLANT AND EQUIPMENT <i>(continued)</i>	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Plant and equipment		
At cost	1,017	981
Less: accumulated depreciation	(776)	(736)
Total	241	245
Auxiliary vehicles		
At cost	483	513
Less: accumulated depreciation	(220)	(226)
Total	263	287
Work in progress		
At cost	445	2,865
Total	445	2,865
Total property, plant and equipment	49,469	45,604

NOTES TO THE FINANCIAL STATEMENTS

Note 12. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Reconciliation of movements in carrying amounts

2010	CONSOLIDATED								Total
	Land and buildings	Buses	Route infrastructure	Office equipment	Electronic ticketing and communication equipment	CCTV equipment	Plant and equipment	Auxiliary vehicles	Work in progress
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	14,800	26,603	354	292	158	-	245	287	2,865
Additions	38	2,715	116	11	4,600	1,174	36	181	-
Disposals	-	(189)	-	-	-	-	-	(101)	-
Revaluation increments/decrements	-	1,503	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-
Net transfers	-	54	-	-	-	-	-	-	(2,420)
Depreciation	(156)	(2,991)	(73)	(82)	(291)	(116)	(40)	(104)	-
Carrying amount at 30 June	14,682	27,695	397	221	4,467	1,058	241	263	445

2009	CONSOLIDATED								Total
	Land and buildings	Buses	Route infrastructure	Office equipment	Electronic ticketing and communication equipment	CCTV equipment	Plant and equipment	Auxiliary vehicles	Work in progress
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	12,081	21,284	339	262	186	-	252	332	3,966
Additions	263	8,009	84	108	-	-	31	108	7,355
Disposals	-	-	-	-	-	-	-	(44)	-
Revaluation increments/decrements	2,593	(102)	-	-	-	-	-	-	-
Impairment losses	-	20	-	-	-	-	-	-	-
Net transfers	-	351	-	-	-	-	-	-	(8,456)
Depreciation	(137)	(2,959)	(69)	(78)	(28)	-	(38)	(109)	-
Carrying amount at 30 June	14,800	26,603	354	292	158	-	245	287	2,865

NOTES TO THE FINANCIAL STATEMENTS

Note 12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
(c) Written down costs		
Land and buildings	7,709	8,107
Buses	12,533	12,673

All items of property, plant and equipment are held by the parent company.

An independent valuation of freehold land and buildings was performed as at 30 June 2009 by Mr D Saunders B.Ec. Dip.Val. FAPI Valuer of Saunders & Pitt. This valuation was performed on the basis of 'current market value in the existing use'.

An independent valuation of 'in service' buses was performed as at 30 June 2010 by Mr R.A. van Raay FAPI, FRICS, ASA, AFAIM, CMILT, Certified Practising Valuer (P&M) of m3p&e. The valuation was performed on the basis of 'market value for existing use'.

This approach assumes that the asset could be sold in the market for its existing use.

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Note 13. INTANGIBLE ASSETS		
(a) Carrying amounts		
Licences		
At cost	64	64
Less: accumulated amortisation	(64)	(64)
Total	-	-
Computer software		
At cost	1 819	1 819
Less: accumulated amortisation	(1,676)	(1,565)
Total	143	254
Total intangibles	143	254
(b) Reconciliation of movements in carrying amounts		
Carrying amount at 1 July	254	346
Additions – other development	-	52
Amortisation	(111)	(144)
Carrying amount at 30 June	143	254
Note 14. TRADE AND OTHER PAYABLES		
Trade creditors and accruals	4,469	2,185
Employee benefits oncosts	367	390
Inter-company	-	-
	4,836	2,575

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Note 15. EMPLOYEE BENEFITS		
Current:		
Retirement benefits	890	1,097
Compensated benefits:		
Accrued salaries and wages	662	580
Annual leave	1,588	1,609
Long service leave	1,904	1,973
Workers compensation	47	47
	5,091	5,306
Non-current:		
Retirement benefits	19,586	18,017
Compensated benefits:		
Long service leave	582	601
	20,168	18,618
	25,259	23,924
Note 16. CONTRIBUTED EQUITY		
Issued capital – two shares of \$1 each		
Contributed equity	15,503	15,503
	15,503	15,503
Note 17. ASSET REVALUATION RESERVE		
Balance at beginning of financial year	12,587	10,069
Revaluation of land and buildings	-	2,593
Revaluation of buses	1,503	-
Disposal of revalued buses	(45)	(22)
Deferred tax asset/(liability)	(451)	16
Write-down of buses to recoverable amount	-	(69)
Balance at end of financial year	13,594	12,587

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset is transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Note 18. RETAINED PROFITS/(LOSSES)		
Balance at beginning of financial year	3,942	3,967
Net profit/(loss)	189	(146)
Revaluation increments (decrements) attributable to assets disposed of during the year	36	13
Defined benefit plan actuarial gains/(losses)	(1,036)	83
Related income tax	311	25
Balance at end of financial year	3,442	3,942
Note 19. COMMITMENTS FOR EXPENDITURE		
Capital commitments:		
Payments within 1 year	2,580	4,368
Payments 1-5 years	167	167
	2,747	4,535

Note 20. RELATED PARTIES

Directors:

The following were the Board of Directors of Metro during the reporting period and unless otherwise indicated were Directors for the entire period:

Mr Ron Ward (Chairperson)	(Commenced on 7 December 2009)
Mr Michael Wisby	(Deputy Chairperson)
Mr Robert Pearce	(Resigned on 8 July 2009)
Mr Robert Flanagan	(Resigned on 5 February 2010)
Ms Tracy Matthews	
Ms Lynn Mason	
Mr Geoffrey Hazell	(Commenced on 5 February 2010)
Mr Ian Newman	(Commenced on 9 February 2010)

Remuneration of Directors:

Directors fees of \$76,678 (2009 \$95,923) and superannuation contributions of \$10,150 (2009 \$8,114) were paid during the reporting period.

There were no transactions with Directors or director-related entities during either financial year.

NOTES TO THE FINANCIAL STATEMENTS

Note 20. RELATED PARTIES *(continued)*

Key Management Personnel (Senior Managers) Compensation:

The aggregate compensation made to key management personnel of Metro is set out in the table below:

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Note 20. RELATED PARTIES		
Short-term employee benefits	683	649
Other long-term employee benefits	-	25
Post-employment benefits	61	71
Termination benefits	-	-
Equity compensation benefits	-	-
	744	745
Note 21. REMUNERATION OF AUDITORS		
External audit services	42	41
Internal audit services	37	38
Tax services	13	13
	92	92

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Note 22. CASH FLOW STATEMENT		
(a) Reconciliation of cash flow with profit after income tax		
Profit/(loss) after income tax	189	(146)
Add/(less) non cash items:		
Depreciation	3,853	3,418
Amortisation	111	146
Loss/(profit) on sale of non-current assets	(46)	(43)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	466	(96)
(Increase)/decrease in inventories	(130)	2
(Increase)/decrease in other current assets	161	(321)
Increase/(decrease) in trade and other payables	2,259	(1,074)
Increase/(decrease) in employee benefits	1,335	1,189
(Decrease)/increase in deferred taxes payable	273	(53)
(Increase)/decrease in deferred taxes receivable	(265)	(353)
Changes in equity:		
Amounts recognised in equity relating to the Defined Benefit Plan	(1,177)	124
Net cash inflow from operating activities	7,029	2,793
(b) Reconciliation of cash		
Cash at bank and on hand	3,645	2,105
Call deposit at Tascorp	1,790	2,222
Cash as per Statement of Cash Flows	5,435	4,327
(c) Credit and standby facilities		
Credit cards facility limit	20	20
Less used/committed	-	-
Balance of credit card facility available	20	20

NOTES TO THE FINANCIAL STATEMENTS

Note 23. FINANCIAL INSTRUMENTS

Financial risk management policies

Metro's financial instruments consist mainly of deposits with banks, accounts receivable and payable. It is not current Metro policy to utilise derivative instruments as a means of managing exposure to risks.

Metro does not have any derivative instruments in either financial years.

Financial risk exposures and management

The main risks Metro is exposed to through its financial instruments are interest rate risk and credit risk.

(a) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

There are no material amounts of collateral held as security in either financial years.

Metro does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into and manages risk with appropriate credit checks, regular review of balances and structured payment options.

The following table analyses financial assets that are past due but not impaired.

Analysis of financial assets that are past due but not impaired:

	CONSOLIDATED							
	0 days Past due		1-30 days Past due		31-90 days Past due		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial assets:								
Receivables	261	672	45	109	35	28	341	809

(b) Liquidity risk

Liquidity risk arises from the possibility that Metro might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Metro manages this risk through the following mechanisms:

- preparing forward-looking cash-flow analysis in relation to Metro's operational, investing and financing activities;
- obtaining funding from a variety of sources;
- only investing short-term surplus cash with Tascorp or major financial institutions; and
- monitoring undrawn credit facilities.

Financial liability and financial asset maturity analysis:

	CONSOLIDATED							
	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-interest Bearing		Total	
	2010 %	2009 %	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial assets:								
Cash at bank	3.75	2.60	3,645	2,105	-	-	3,645	2,105
Call deposit at Tascorp	3.89	5.48	1,790	2,222	-	-	1,790	2,222
Receivables		-	-	-	341	809	341	809
			5,435	4,327	341	809	5,776	5,136

NOTES TO THE FINANCIAL STATEMENTS

Note 23. FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

	CONSOLIDATED											
	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Non-interest Bearing		Total	
	2010 %	2009 %	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	Within 1 Year \$'000	1 to 5 Years \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial liabilities:												
Trade creditors and accruals	-	-	-	-	-	-	-	-	4,469	2,185	4,469	2,185
	-	-	-	-	-	-	-	-	4,469	2,185	4,469	2,185

Trade creditors and accruals are expected to be paid as follows:

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Less than 6 months	4,469	2,185
6 months to 1 year	-	-
1-5 years	-	-
	4,469	2,185

NOTES TO THE FINANCIAL STATEMENTS

Note 23. FINANCIAL INSTRUMENTS (continued)

(c) Market risk

(i) Interest rate risk

Exposure to interest rate risk is limited to assets and liabilities bearing variable interest rates.

Metro is not exposed to fluctuations in foreign currencies.

Metro does not have any material interest rate risk and Board approval is required for all investing and borrowing decisions to ensure appropriate interest rates are achieved.

Metro has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date.

This sensitivity analysis demonstrates the effect on current year results and equity which could result from change in this risk.

Sensitivity analysis:

At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Change in profit		
- Increase in interest rate by 2%	97	133
- Decrease in interest rate by 2%	(97)	(133)
Change in equity		
- Increase in interest rate by 2%	97	133
- Decrease in interest rate by 2%	(97)	(133)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

No sensitivity analysis has been performed on foreign exchange risk, as Metro is not exposed to foreign currency fluctuations.

NOTES TO THE FINANCIAL STATEMENTS

Note 23. FINANCIAL INSTRUMENTS *(continued)*

(d) Net fair values

The net fair value equals the carrying value for all financial assets and liabilities held by Metro.

The net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the Notes to the Financial Statements.

	CONSOLIDATED			
	2010		2009	
	Carrying Value \$'000	Net Fair Value \$'000	Carrying Value \$'000	Net Fair Value \$'000
Financial assets:				
Cash at bank	3,645	3,645	2,105	2,105
Call deposit at Tascorp	1,790	1,790	2,222	2,222
Receivables	341	341	809	809
	5,776	5,776	5,136	5,136
Financial liabilities:				
Trade creditors and accruals	4,469	4,469	2,185	2,185
	4,469	4,469	2,185	2,185

(e) Financial instruments by categories

	CONSOLIDATED			
	2010			
	Total	Loans and receivables	Cash	Financial liabilities measured at amortised cost
	\$'000	\$'000	\$'000	\$'000
Financial assets:				
Cash at bank	3,645	-	3,645	-
Call deposit at Tascorp	1,790	-	1,790	-
Receivables	341	341	-	-
	5,776	341	5,435	-
Financial liabilities:				
Trade creditors and accruals	4,469	-	-	4,469
	4,469	-	-	4,469

NOTES TO THE FINANCIAL STATEMENTS

Note 23. FINANCIAL INSTRUMENTS

(e) Financial instruments by categories *(continued)*

	CONSOLIDATED			
	2009			
	Total	Loans and receivables	Cash	Financial liabilities measured at amortised cost
	\$'000	\$'000	\$'000	\$'000
Financial assets:				
Cash at bank	2,105	-	2,105	-
Call deposit at Tascorp	2,222	-	2,222	-
Receivables	809	809	-	-
	5,136	809	4,327	-
Financial liabilities:				
Borrowings	-	-	-	-
Trade creditors and accruals	2,185	-	-	2,185
	2,185	-	-	2,185

(f) Capital risk management

Metro manages its capital tightly to ensure funds are available to implement planned capital expenditure strategies. Metro has reviewed its long-term capital expenditure program and continues to assess the options available to finance this program.

Note 24. CONTINGENT LIABILITIES

After due investigation Metro has identified no contingent liabilities.

Note 25. POST BALANCE DATE EVENTS

Metro has not identified any post balance date events requiring adjustments to the Financial Statements.

Note 26. CONTROLLED ENTITY	Country of incorporation	Equity interest
Parent entity:		
Metro Tasmania Pty Ltd	Australia	-
Controlled entity:		
Metro Coaches (Tas) Pty Ltd	Australia	100%

NOTES TO THE FINANCIAL STATEMENTS

Note 27. SUPERANNUATION AND DEFINED BENEFIT PLAN

General Information

The following provides the information that is required to be disclosed in the Notes to the Financial Statements for the year ended 30 June 2010 pursuant to AASB 119. The disclosures are set out in paragraph 120A of the standard. Those parts of paragraph 120A that do not relate to the Retirement Benefits Fund have not been included. The authority should satisfy itself that the disclosure is appropriate.

Note that the changes made to the AASB 119 standard in April 2007 removed the paragraph 121 disclosures. Metro is therefore no longer required to disclose information relating to the funding arrangements or the most recent actuarial valuation of the Fund.

Due to rounding, some figures may not add exactly to the totals.

Accounting Policy

Actuarial gains and losses are recognised immediately through retained earnings in the year in which they occur.

Fund Information

Defined benefit members receive lump sum benefits on resignation, and lump sum or pension benefits on retirement, death or invalidity. The defined benefit section of RBF is closed to new members. All new members receive accumulation only benefits.

Reconciliation of the Defined Benefit Obligation

Financial year ending	30 June 2010 \$'000	30 June 2009 \$'000
Present value of defined benefit obligations at beginning of the year[^]	24,230	24,053
(+) Current service cost [^]	560	707
(+) Interest cost	1,340	1,354
(+) Estimated contributions by plan participants	211	211
(+) Actuarial (gains)/losses [^]	909	(804)
(-) Estimated benefits paid	1,598	1,234
(-) Estimated taxes, premiums & expenses paid	49	56
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Past service cost	-	-
(+) Curtailments	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Present value of defined benefit obligations at end of the year	25,603	24,230

[^]includes contributions tax provision/change in contributions tax provision in 2009

The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded.

NOTES TO THE FINANCIAL STATEMENTS

Note 27. SUPERANNUATION AND DEFINED BENEFIT PLAN (continued)

Reconciliation of the Fair Value of Scheme Assets

Financial year ending	30 June 2010 \$'000	30 June 2009 \$'000
Fair value of plan assets at beginning of the year	5,116	5,855
(+) Expected return on plan assets	352	395
(+) Actuarial gains/(losses)	(127)	(722)
(+) Estimated employer contributions	1,222	666
(+) Estimated contributions by plan participants	211	211
(-) Estimated benefits paid	1,598	1,234
(-) Estimated taxes, premiums & expenses paid	49	56
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Fair value of plan assets at end of the year	5,127	5,116

Reconciliation of the Assets and Liabilities Recognised in the Statement of Financial Position

As at	30 June 2010 \$'000	30 June 2009 \$'000
Defined Benefit Obligation	25,603	24,230
(-) Fair value of plan assets	5,127	5,116
Deficit/(surplus)	20,476	19,114
(-) Unrecognised past service cost	-	-
(-) Unrecognised net (gain)/loss	-	-
(+) Adjustment for limitation on net asset	-	-
Net superannuation liability/(asset)	20,476	19,114
Current net liability	890	1,097
Non-current net liability	19,586	18,017

Expense Recognised in Statement of Comprehensive Income

Financial year ending	30 June 2010 \$'000	30 June 2009 \$'000
Service cost	560	707
Interest cost	1,340	1,354
Expected return on assets	(352)	(395)
Actuarial loss/(gain)	-	-
Past service cost	-	-
Movement in limitation on net asset	-	-
Effect of curtailments/settlements	-	-
Superannuation expense/(income)	1,548	1,665

NOTES TO THE FINANCIAL STATEMENTS

Note 27. SUPERANNUATION AND DEFINED BENEFIT PLAN *(continued)*

Amounts Recognised in Other Comprehensive Income

Financial year ending	30 June 2010 \$'000	30 June 2009 \$'000
Actuarial (gains)/losses	1,036	(83)
Adjustment for limit on net asset	-	-

Cumulative Amount Recognised in Other Comprehensive Income

Financial year ending	30 June 2010 \$'000	30 June 2009 \$'000
Cumulative amount of actuarial (gains)/losses at end of prior year	815	898
Actuarial (gains)/losses recognised during the year	1,036	(83)
Cumulative amount of actuarial (gains)/losses at end of year	1,851	815

Fund Assets

The percentage invested in each asset[^] class at the Statement of Financial Position date:

As at	30 June 2010 \$'000	30 June 2009 \$'000
Australian Equity	26%	20%
International Equity	22%	13%
Fixed Income	12%	11%
Property	20%	31%
Alternatives/Other	14%	19%
Cash	6%	6%

[^]asset allocation as at 31 March

Fair Value of Fund Assets

Assets are not held separately for each authority but are held for the Fund as a whole. The fair value of Fund assets was estimated by allocating the total Fund assets to each authority in proportion to the value of each authority's funded liabilities, calculated using the assumptions outlined in this report.

The fair value of Fund assets includes no amounts relating to:

- any of the authority's own financial instruments
- any property occupied by, or other assets used by, the authority.

Expected Rate of Return on Fund Assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of estimated investment tax and investment fees.

NOTES TO THE FINANCIAL STATEMENTS

Note 27. SUPERANNUATION AND DEFINED BENEFIT PLAN (continued)

Actual Return on Fund Assets

Financial year ending	30 June 2010 \$'000	30 June 2009 \$'000
Actual return on plan assets^	225	(326)

^as separate assets are not held for each authority, the actual return includes any difference in the allocation to each authority.

Principal Actuarial Assumptions at the Statement of Financial Position Date

As at	30 June 2010 \$'000	30 June 2009 \$'000
Discount rate	5.35% pa	5.70% pa
Expected rate of return on plan assets	7.00% pa	7.00% pa
Expected salary increase rate	4.50% pa	4.50% pa
Expected rate of increase compulsory preserved amounts	4.50% pa	4.50% pa
Expected pension increase rate	2.50% pa	2.50% pa

The discount rate is based on the market yields on the longest-dated government bonds as at 30 June 2010 extrapolated to allow for the fact that the term of the liabilities exceeds the term of the longest government bond. The decrement rates used for mortality and retirement have been updated since the last valuation and are described in the Actuarial Assumptions section below.

Operating Costs

Operating costs for the Fund as a whole have been assumed to be incurred at the rate of 1.5% of salaries. This cost has then been allocated to each authority in proportion to assets.

Temporary Invalidity Expense

The cost of temporary invalidity benefits has been assumed to be 0.38% of salaries of current contributory members.

Historical Information

Financial year ending	30 June 2010 \$'000	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Present value of defined benefit obligation	25,603	24,230	24,053	24,571	21,968
Fair value of plan assets	5,127	5,116	5,855	6,340	5,669
(Surplus)/deficit in plan	20,476	19,114	18,198	18,231	16,299
Experience adjustments (gain)/loss - plan assets	127	723	714	(536)	451
Experience adjustments (gain)/loss - plan liabilities	(395)	(140)	(442)	(162)	158

The experience adjustment for Fund liabilities represents the actuarial loss (gain) due to a change in the liabilities arising from the Fund's experience (eg membership movements, salary increases and indexation rates) and excludes the effect of the changes in assumptions (eg movements in the bond rate).

Expected Contributions

Financial year ending	30 June 2011 \$'000
Expected employer contributions	890



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